Delaware Potato Grower's Guide to Crop Insurance

Delaware DEPARTMENT of AGRICULTURE
Serving Agriculture and Protecting Consumers

RMA

Produced by the Delaware Department of Agriculture in partnership with the Risk Management Agency

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DEPARTMENT OF AGRICULTURE
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Dear Friends,

Potatoes have been a Delaware favorite in the fields, as well as on dinner tables for hundreds of years. In fact, the potato is Delaware's top fresh market crop. Over two thousand acres of First State farmland is dedicated to growing potatoes.

The potato market is getting more and more competitive, however. Delaware potato farmers need to be prepared to keep their operations thriving. The Delaware Department of Agriculture is pleased to present this Potato Grower's Risk Management Guide as a tool to help Delaware potato farmers. It is full of risk management and crop insurance information. It was compiled as part of DDA's educational partnership with the USDA Risk Management Agency (RMA).

I encourage you to use this manual to broaden the scope of you operation's risk management. Should there be unanswered questions after reviewing the manual, please call the DDA Crop Insurance Info Line at (877)-673-2767. In addition to answering you questions, we can provide a list of crop insurance agents, or you may locate an agent on the RMA web site at: http://www3.rma.usda.gov/apps/agents/result.cfm

Sincerely,

Ed Kee

Ed Kee
Delaware Secretary of Agriculture

Risk Management Terms, Explained

You may sometimes wonder, "What do these Risk Management terms mean?"

That's why we created this document. It will help you understand what is meant by the various terms or acronyms you come across as they specifically pertain to Risk Management for agricultural producers.

Actual production history (APH). Actual Production History, or APH, is the most common plan of insurance under the Multiple Peril Crop Insurance, or MPCI, umbrella. It is the basis for determining your guarantee under either multi-peril crop insurance or revenue insurance policies. The APH is calculated as a 4- to 10-year simple average of your actual yield on the insured land. If you do not have records of actual yields, a "transitional yield" based on average yields in your county is used.

Actuarial soundness. This is an insurance term that describes a situation where indemnities paid, on average, are equal to total premiums collected.

Agricultural Risk Protection Act of 2000 (ARPA). This law provided $8.2 billion for insurance premium subsidies and $5.2 billion for market loss assistance payments for producers. Among its other effects, ARPA also modified the crop insurance premium subsidy structure, authorized pilot programs for new forms of insurance, expanded insurance fraud detection and enforcement, and dropped the area yield loss trigger in the NAP program.

Adjusted Gross Revenue (AGR) Lite. AGR-Lite is whole farm revenue insurance that covers almost all of the commodities produced on a farm. It is an individualized revenue insurance based on individual producer yields, quality, and marketing history that equals gross income.

Buy-up coverage. This refers to crop insurance coverage that exceeds the CAT (catastrophic) level. Coverage is available up to 75 percent of your expected yield or expected revenue (which is yield times price). In some areas, coverage up to 85 percent is available for some crops. You pay part of the premium, but government premium subsidy rates are now over 50 percent for most levels of coverage.

CAT coverage. CAT is short for "catastrophic," and refers to crop insurance coverage at the lowest, or catastrophic level. CAT coverage is set at the 50/55 level, which means that your yield must fall below 50 percent of your average yield before a loss is paid. These losses are paid at a rate of 55 percent of the highest price election. You must pay an administrative fee to become eligible to receive CAT coverage, but the government pays the entire premium.

Crop Revenue Coverage (CRC). CRC is the most widely available revenue protection policy. This policy guarantees an amount of revenue (based on your actual production history (APH) x commodity price), called the final guarantee.

Crop revenue insurance. Crop revenue insurance pays you indemnities based on gross revenue shortfalls instead of just yield or price shortfalls. Types of crop revenue insurance includes Crop Revenue Coverage (CRC), Revenue Assurance (RA) and Income Protection (IP). These programs are subsidized and reinsured by the USDA's Risk Management Agency.

Crop yield insurance. Also known as Actual Production History (APH) yield, crop yield insurance pays indemnities to producers when yields fall below the producer's insured yield level due to most natural causes. Crop yield insurance is subsidized by the USDA's Risk Management Agency.

Disaster payments. These are direct payments to farmers on an emergency basis when crop yields are abnormally low due to adverse growing conditions. During the 1970s, there was a "standing" disaster payments program, with payments made without declaration of a disaster area. Regular payments ceased after 1981, but since then ad hoc disaster payments have been specially approved by the U.S. Congress on a number of occasions.

Dollar plan of insurance. The dollar plan of insurance lets you select one of several dollar amounts of insurance per acre prior to planting. For vegetable crops, fresh market corn, fresh market tomatoes (Florida only), and peppers are insurable under the dollar plan of insurance.

Enterprise diversification. Diversification is a way to generate income from different crops and/or livestock activities that are not closely related in price, so that low income from some activities would likely be offset by higher income from others.

Fixed Dollar Plan of Insurance. The Fixed Dollar plan of insurance provides protection against declining revenues due to damage that causes a loss of yield and there is no price increase in the market. The pilot Chile Pepper program is based on the Fixed Dollar plan of insurance and is available in Cochise County, Arizona, and in Hidalgo and Luna Counties, New Mexico.

Forward contract. This is an agreement between two parties (such as you and someone who buys your products) that calls for delivery of, and payment for, a specified quality and quantity of a commodity (such as a particular crop) at a specified future date. The price may be agreed upon in advance, or determined by formula at the time of delivery or other point in time.

Forward pricing. This is when you agree on a price or a pricing formula for a commodity that will be delivered at a later date. "Forward pricing" is used broadly here to refer to both hedging with futures or options, and forward contracting.

Futures contract. This is an agreement to buy or sell a commodity of a standardized amount and quality during a specific month in the future, under terms established by the futures exchange, at a price established in the trading pit at the commodity futures exchange.

Futures option contract. This is a contract that gives the holder the right, though not the obligation, to buy or sell a futures contract at a specific price within a specified period of time, regardless of the market price of the futures contract when the option is exercised. Options provide protection against adverse price movements.

Group Risk Income Protection (GRIP). GRIP is based on the experience of the county rather than on individual farms, so APH is not required for this program. A GRIP policy includes coverage against potential loss of revenue resulting from a significant reduction in your county's yield or the commodity price of a specific crop.

Group Risk Plan (GRP). Like GRIP, GRP coverage is based on the experience of the county rather than on individual farms, so APH is not required for this program. GRP protects you in the event that your county's average per-acre yield or payment falls below your trigger yield.

Guarantee. Also called "yield guarantee" or "insurance guarantee", this is a promise of payment. In this context, it means the amount of money you will be paid in the event of a loss, according to the terms of your crop insurance contract.

Hedging. Hedging uses futures or options contracts to reduce the risk of adverse price changes prior to an anticipated cash sale or purchase of a commodity.

Income Protection (IP). IP is a revenue product that, based on your APH, protects you against a loss of income when prices and/or yields fall. While IP is similar to CRC, it does not have the increasing price function of CRC.

Indemnity. This is the compensation, or money you receive for qualifying losses paid under an insurance policy. The indemnity compensates for losses that exceed the deductible, up to the level of the insurance guarantee.

Leverage. Financial leverage refers to the use of borrowed funds to help finance a farm business. Higher levels of debt, relative to net worth, are generally considered riskier. The optimal amount of leverage depends on several factors, including farm profitability, the cost of credit, tolerance for risk, and the degree of uncertainty in income.

Liquidity. Liquidity refers to your ability to generate cash quickly and efficiently in order to meet financial obligations. Liquidity can be enhanced by holding cash, stored commodities, or other assets that can be converted to cash on short notice without incurring a major loss.

Loan deficiency payments (LDPs). These payments protect producers of several major commodities against revenue losses due to low prices.

Marketing contract. This is a contract between you and a processor or handler that establishes a marketing outlet and a price (or a formula for determining the price) for a commodity before harvest or before the commodity is ready to be marketed.

Multiple Peril Crop Insurance (MPCI). MPCI was established in the 1930s to cover yield losses from most natural causes. MPCI operated on a somewhat limited basis up through the early 1980s, when a private/public partnership was established. At that point, insurance availability was greatly expanded and premium subsidies increased in hopes of replacing the disaster payment program. Major reforms legislated in 1994—introduction of a low-cost CAT (catastrophic) coverage level, increased premium subsidies, and a requirement that participants in other farm programs obtain crop insurance—increased participation to over 200 million acres, covering the majority of acres of major field crops planted in the United States.

Non-Insured Crop Disaster Assistance Program (NAP). Crop insurance is not available for all commodities. NAP provides financial assistance to producers of many of these commodities if they experience a qualifying yield loss.

Premium. The amount of money you pay for risk protection. Option buyers pay a premium to option sellers for an options contract. Similarly, the person who buys an insurance policy pays a premium in order to obtain coverage.

Production contract. An agreement between you and a processor that usually details the production inputs supplied by both you and the processor, the quality and quantity of a particular commodity that is to be delivered, and compensation that you will be paid. In return for giving up control over decision making, you are often compensated with a price premium or lower market risk.

Revenue Assurance (RA). Revenue Assurance (RA) provides coverage to protect you against loss of revenue caused by low prices, low yields, or a combination of both.

Reinsurance. A method of transferring some of an insurer's risk to other parties. In the case of Federal crop insurance, USDA's Risk Management Agency shares the risk of loss with private insurance companies that deliver policies to producers. Private reinsurance also exists. In this case, a private reinsurer assumes responsibility for a share of the risk, in return for a share of the premiums.

Revenue insurance. Revenue insurance, a cousin to MPCI, was introduced after the 1994 reforms and has become the most popular form of insurance in some areas. Whereas crop insurance covers only yield losses, revenue insurance pays when gross revenue (yield times price) falls below a specified level. These programs are subsidized and reinsured by the Risk Management Agency.

Risk. Uncertainty about outcomes that are not equally desirable. Risk is an important aspect of the farming business. The uncertainties of weather, yields, prices, government policies, global markets, and other factors can cause wide swings in farm income. Risk management involves choosing among alternatives that reduce the financial effects of such uncertainties.

Subsidy. Money given by the government to help producers function.

Uncertainty. Lack of sure knowledge or predictability.

Yield. The amount of something, especially a crop, produced by cultivation or labor.

2009 Delaware Crop Insurance Profile

Insurance Plans Available in Delaware

Insurable Crops	Insured Acres	Total Acres	Percent Insured
Barley	18,055	28,000	64%
Corn – APH	14,930	170,000	9%
Corn – CRC	105,943		62%
Corn – GRIP	0		0%
Corn – GRP	3,780		2%
Grain Sorghum – APH	216	NA	NA
Grain Sorghum – CRC	0	NA	NA
Green Peas	4,590	5,450	84%
Potatoes	1,155	1,700	68%
Processing Beans	11,946	NA	NA
Processing Sweet Corn	4,835	NA	NA
Processing Tomatoes	0	NA	NA
Soybeans – APH	16,763	185,000	9%
Soybeans – CRC	111,828		60%
Soybeans – GRIP	1,750		0.95%
Soybeans - GRP	4,988		3%
Wheat – APH	20,142	70,000	29%
Wheat – CRC	23,797		34%
Wheat – GRIP	0		0%
Wheat - GRP	0		0%

Dollar Liability Program	Total Dollar Liability
Adjusted Gross Revenue	0
Adjusted Gross Revenue-Lite	0
Livestock Gross Margin – Dairy Cattle	0
Nursery	436,476

Regional Office
Contact: Larry Atkinson, Director
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Raleigh, NC 27609
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Fax: (919) 875-4915
E-Mail:
Larry.atkinson@rma.usda.gov

Crop Pilot Programs

Program	County Availability
Adjusted Gross Revenue (AGR)	All Counties

Eastern Regional Compliance Office
Contact: Johnnie Perdue, Director
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Data current as of February 1, 2010

APH – Actual Production History
CRC - Crop Revenue Coverage
GRIP – Gross Revenue Index Protection
GRP – Gross Revenue Protection

NA – Not Available

Risk Management Agency/USDA

Delaware
Fifteen Year Crop Insurance History

Year	Policies Earning Premium	Net Acres Insured	Liability	Gross Premium	Losses	Loss Ratio
1995	1,410	255,012	16,428,548	900,188	1,100,117	1.22
1996	936	160,142	15,527,672	786,877	209,570	0.27
1997	992	207,478	19,590,819	988,780	1,143,993	1.16
1998	744	167,150	19,560,524	1,101,402	616,767	0.56
1999	868	190,882	21,826,595	1,226,239	1,933,211	1.63
2000	1,002	235,079	25,932,201	1,445,508	152,576	0.11
2001	964	237,182	29,982,239	1,767,467	344,724	0.20
2002	1,001	244,091	35,166,840	2,208,209	7,508,618	3.40
2003	1,134	256,045	43,166,161	4,362,614	3,710,168	0.85
2004	1,241	273,812	52,578,047	4,946,485	1,116,547	0.23
2005	1,170	263,056	45,132,163	4,574,914	2,696,847	0.59
2006	1,149	265,550	48,350,849	5,565,371	1,538,128	0.28
2007	1,165	272,341	76,005,710	8,781,989	17,465,781	1.99
2008	1,322	308,121	104,807,643	13,546,391	14,922,912	1.10
2009	1,570	344,778	97,343,097	12,461,740	3,559,797	0.29

* 2009 numbers are incomplete

NOTE: To see detailed information on the above 15 Year Crop Insurance History by County, go to RMA's Summary of Business Application at: http://www3.rma.usda.gov/apps/sob/ and then click on the "Run Application" button. Select the State/County tab and then select the appropriate Year and State to get a listing by County. Select the desired output type – Web Output, Formatted Print, or Download Data to Excel.

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Risk Management Agency/USDA

USDA RMA

United States Department of Agriculture
Risk Management Agency

November 2009

2010 COMMODITY INSURANCE FACT SHEET

Potatoes

Delaware

Crop Insured

Potatoes planted with certified seed for harvest as either certified seed stock or for human consumption may be insured. The policy does not cover any acreage where potatoes are:

- Inter-planted with another crop
- Planted into an established grass or legume; or
- Planted without following crop rotation requirements specified in the special provisions.

Counties Available

Potatoes are insurable in Kent and New Castle counties. Potatoes may be insurable in Sussex county if specific criteria are met. Contact a crop insurance agent for details.

Causes of Loss

Adverse weather conditions[1]
Failure of irrigation water supply
Fire
Insects[2]
Plant disease[2]
Wildlife

[1]Such as hail, frost, freeze, drought, and excess moisture. [2]Only if sufficient and proper control measures are used.

Note: The policy does not insure against loss of production from damage occurring after potatoes are placed in storage.

Insurance Period

Coverage begins when the potatoes are planted and ends the earliest of: (1) total destruction of the crop, (2) harvest of the crop, (3) final adjustment of a claim, (5) abandonment of the crop, or (6) October 15, 2010.

Reporting Requirements

Acreage Report — You must timely report to your agent all the acres of potatoes in the county in which you have a share.

Important Dates

Sales Closing	December 31, 2009
Final Planting Date	May 5, 2010
Acreage Report Date	May 15, 2010
End of Insurance	October 15, 2010

Definitions

Approved APH (Actual Production History) Yield—A yield based on your actual yields, county average yields, or a combination of both and used to determine your production guarantee.

Production Guarantee—Hundredweight (cwt.) guaranteed per acre determined by multiplying your approved APH yield times the coverage level percentage you elect.

Price Election—Price used to calculate your premium and indemnity. Price elections are posted on the RMA Web site at:
http://www3.rma.usda.gov/apps/pricesinquiry/

Duties in the Event of Damage or Loss

(1) Protect the crop from further damage by providing sufficient care; (2) notify your agent within 72 hours of your initial discovery of damage (but not later than 15 days after the end of the insurance period); and (3) leave representative samples intact for each field of the damaged unit.

Coverage Levels and Premium Subsidies

Coverage levels range from 50 to 75 percent of your average yield. An average potato yield of 240 cwt. per acre, for example, would result in a 180 cwt. per acre guarantee at the 75-percent coverage level. Crop insurance premiums are subsidized as shown in the following table. For instance, if you selected the 75-percent coverage level, your premium share would be 45 percent of the base premium:

Coverage Level % ➔	50	55	60	65	70	75
Premium Subsidy %	67	64	64	59	59	55
Your Premium Share %	33	36	36	41	41	45

Catastrophic (CAT) coverage is fixed at 50 percent of your average yield and 55 percent of the price election. The cost for CAT coverage is an administrative fee of $300, regardless of the acreage.

Price Election

$9.05 per cwt

Price elections are posted on the RMA Web site at: http://www3.rma.usda.gov/apps/pricesinquiry/

Insurance Units

Your insurable acreage will be grouped into one or more units in order to establish the approved yield, calculate a guarantee, and determine any indemnity.

Basic Unit—A basic unit includes all of your potato acreage in the county by share arrangement. Premiums are reduced by 10 percent for a basic unit.

Optional Units—If a basic unit consists of two or more farm serial numbers (FSN) and certain record-keeping criteria are met, you may apply for optional units by FSN. The 10-percent discount will not apply

Loss Example

This example assumes an average yield of 240 cwt. per acre, 65-percent coverage level, no options or endorsements, and one basic unit.

240	Cwt. per acre average yield (APH)
x .65	Coverage level percentage
156	Cwt. per acre guarantee
– 56	Cwt. per acre production
100	Cwt. per acre loss
x $9.05	Price election
$905	Indemnity per acre
– 60	Estimated premium per acre
$845	**Net indemnity per acre**

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http://www.rma.usda.gov/aboutrma/fields/nc_rso/

USDA United States Department of Agriculture

RMA

Program Aid Number 1906

A Risk Management Agency Fact Sheet

Adjusted Gross Revenue (AGR)

Revised April 2009

Adjusted Gross Revenue (AGR) crop insurance provides producers with protection against low revenue from natural causes and market fluctuations. The insurance covers income from agricultural commodities, as well as income from animals, animal products, and aquaculture species reared in a controlled environment.

Adjusted Gross Revenue:

- Uses your historical Internal Revenue Insurance (IRS) tax form (Schedule F or equivalent forms) information and an annual farm report as a base;
- Provides insurance for multiple agricultural commodities in one product;
- Establishes revenue as a common denominator for the production of all agricultural commodities.

AGR Timeline

Sales Closing Date: You must buy or cancel your policy on or before January 31.

Beginning of Insurance: All existing policies roll over each year if they are not canceled or changed. The insurance attaches each year on January 1. For new policies, insurance coverage will begin 10 days after a properly completed application is received.

Contract Change Date: You must make any and all changes to your insurance contract on or before August 31.

Insurance Year: Defined as a calendar year in which the sales closing date occurs and includes both calendar-year and fiscal-year filings (corresponding to the policyholder's IRS tax period).

Claims: Claims are settled after taxes are filed for the insurance year.

Availability

AGR insurance is available in: California (selected counties), Connecticut, Delaware, Florida (selected counties), Idaho (selected counties), Maine, Maryland (selected counties), Massachusetts, Michigan (selected counties), New Hampshire, New Jersey, New York (selected counties), Oregon (selected counties), Pennsylvania (selected counties), Rhode Island, Vermont, Virginia (selected counties), and Washington (selected counties).

Eligibility

To meet the eligibility criteria for AGR coverage, you must:

- Be a U.S. citizen or resident;
- File a calendar-year or fiscal-year farm tax return;
- Produce agricultural commodities primarily in pilot counties (may include income from contiguous non-pilot counties);
- Have liability not exceeding $6.5 million;
- Have had same tax entity for 7 years (filed 5 consecutive years of Schedule F tax forms, plus previous year and insurance year) unless a change in tax entity is reviewed and approved by your insurance provider;
- Purchase traditional Federal crop insurance, if available, when more than 50 percent of your expected income is from insurable commodities (when you purchase both AGR and other crop insurance plans, the AGR premium will be reduced); and
- Earn no more than 35 percent of expected allowable income from animals and animal products.

Insured Causes of Loss

Insurance is provided against revenue loss due to any unavoidable natural occurrences during the current or previous insurance year or due to market fluctuations that cause a revenue loss during the current insurance year. No payment will be made for losses due to negligence, mismanagement, or wrongdoing by the policyholder, the policyholder's family, household members, tenants, employees, or contractors; crop abandonment; bypassing of acreage; or other causes listed in the insurance policy.

AGR Application Information

When completing an AGR application, you must submit:

- A history calculation worksheet, including 5 years of allowable income and expense data from IRS tax returns (Schedule F or equivalent forms);
- An annual farm report for the insurance year listing each commodity to be produced, the expected quantity of the commodity to be produced, and the expected price for the commodity;
- A commodity profile report for the previous 2 years if you are selecting higher coverage levels;
- Beginning inventories, if applicable; and
- An indication of changes that will result in lower income for the insurance year than the historical

average.

Choosing a Revenue Guarantee

AGR liability (protection) is calculated by multiplying the approved, AGR by the coverage level and payment rate percentage you select from the county Special Provisions of Insurance actuarial document (see table below). Coverage levels and payment rate eligibility vary with the number of commodities you produce. You may select only one coverage amount.

Available Protection Amounts

Coverage Payment Level	Rate	Minimum # of Commodities*	Maximum Annual Income**
65	75	1	$13,333,333
65	90	1	$11,111,111
75	75	1	$11,555,555
75	90	1	$ 9,629,629
80	75	3	$10,833,333
80	90	3	$ 9,027,777

*Must meet minimum income requirements.
**The Maximum Annual Income represents the maximum approved farm revenue at each coverage level and payment rate to be eligible for AGR due to the $6.5 million maximum liability allowed.

Loss Payments

Loss payments are triggered when the adjusted income for the insured year is less than the loss inception point. The loss inception point is calculated by multiplying the approved AGR by the selected coverage level. Once a revenue loss is triggered, you are paid based on the payment rate you selected, either 75 cents or 90 cents for each dollar lost.

Loss Payment Example

Assumptions:

- 80-percent coverage level and 90-percent payment rate chosen;
- Approved AGR of $94,900 and actual revenue from the farm for the year was $21,000;
- Liability: $94,900 x 0.80 x 0.90 = $68,328; then
- Loss Inception Point: $94,900 x 0.80 = $75,920.

Loss Scenario:

$75,920 - $21,000 revenue to count = $54,920 revenue loss; then
$54,920 x 0.90 payment rate = $49,428 indemnity payment.

Note: If your allowable expenses for the current crop year fall below 70 percent of the approved expenses, the approved AGR payments will be reduced.

This summary is for general illustration purposes only. Please contact a private crop insurance agent to learn more about AGR.

Contact Us

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For More Information

AGR insurance policies are available from private insurance agents. A list of crop insurance agents is available at all USDA Service Centers throughout the United States, or see RMA's online agent locator at: http://www3.rma.usda.gov/tools/agents/companies/.

Policy Information: http://www.rma.usda.gov/policies/agr.html
Premium Calculator: http://www3.rma.usda.gov/apps/premcalc

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USDA United States Department of Agriculture

A Risk Management Agency Fact Sheet

RMA

Program Aid Number 1907

Adjusted Gross Revenue-Lite

Adjusted Gross Revenue-Lite (AGR-Lite) is a whole-farm, revenue-protection plan of insurance. The plan provides protection against low revenue due to unavoidable natural disasters and market fluctuations that affect income during the insurance year. Most farm-raised crops, animals, and animal products are eligible for protection.

AGR-Lite can stand alone or be used in conjunction with other Federal crop insurance plans, except Adjusted Gross Revenue (AGR). When producers purchase both AGR-Lite and other Federal crop insurance the AGR-Lite premium will be reduced.

The AGR-Lite concept:

- Uses a producer's 5-year historical farm average revenue as reported on the IRS tax return (Schedule F or equivalent forms) and an annual farm report as a base to provide a level of guaranteed revenue for the insurance period;
- Provides insurance coverage for multiple agricultural commodities in one insurance product; and
- Establishes revenue as a common denominator for the insurance of all agricultural commodities.

AGR-Lite Timeline

Sales Closing Date: March 15.
Cancellation and Termination Date: January 31.
Contract Change Date: August 31.
Year of Insurance: For the application year, you will not be covered for any losses that occur earlier than 10 days after we receive your properly completed application. For carry-over policies, any unavoidable natural disaster that occurred during the previous or current insurance year is covered.
Insurance Year: Defined as a calendar year in which the sales closing date occurs and includes both calendar year and fiscal year filings (corresponding to the producer's IRS tax period).
Claims: Claims are settled after taxes are filed for the insurance year.

Availability

AGR-Lite is available in: Alabama, Alaska (selected counties), Arizona, Colorado, Connecticut, Delaware, Florida, Georgia, Hawaii, Idaho, Illinois, Kansas, Maine, Maryland, Massachusetts, Minnesota, Montana, Nevada, New Hampshire, New Jersey, New Mexico, New York (selected counties), North Carolina, Oregon, Pennsylvania (except Philadelphia County), Rhode Island, South Carolina, Tennessee, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin, and Wyoming.

Producer Eligibility

To be eligible for AGR-Lite coverage, a producer must:

- Be a U.S. citizen or resident;
- File a calendar year or fiscal year farm tax return;
- Produce agricultural commodities primarily in counties where AGR-Lite is available (includes income from contiguous counties);
- Have liability not exceeding $1 million (less than $2,051,282 in approved gross income);
- Have had the same tax entity for 7 years (filed 5 consecutive years of Schedule F tax forms, plus previous year and insurance year) unless a change in the tax entity is reviewed and approved by the insurance provider;
- Have no more than 50 percent of total revenue from commodities purchased for resale; and
- Have no more than 83.35 percent of total revenue from potatoes.

Premium Subsidy

The Government will pay a portion of the premium for the AGR-Lite policy that equals 48 percent, 55 percent, and 59 percent of the total premiums for the coverage levels of 80 percent, 75 percent, and 65 percent, respectively.

Insured Causes of Loss

Insurance is provided against revenue loss due to any unavoidable natural occurrences during the current or previous insurance year or due to market fluctuations that cause a loss of revenue during the current insurance year. No payment will be made for losses due to negligence, mismanagement, or wrongdoing by the producer, the producer's family, members of the household, tenants, employees, or contractors; crop abandonment; bypassing of acreage; or other uninsurable causes listed in the insurance policy.

AGR-Lite Application Information

Producers must provide the following information when completing an AGR-Lite application:

- History calculation worksheet, including 5 years of allowable income and expense data from IRS tax returns (Schedule F or equivalent forms);
- An annual farm report for the insurance year listing each commodity to be produced, the expected quantity of the commodity to be produced, and the expected

price for the commodity;
- A commodity profile report for the previous 2 years for producers selecting higher coverage levels;
- Beginning inventories, if applicable; and
- Indication of changes that will result in less income for the insurance year than the historical average.

Choosing a Revenue Guarantee

Coverage levels and payment rates vary with the number of commodities produced and are selected by the producer (see table below) from the Special Provisions of Insurance. AGR-Lite liability is calculated by multiplying the approved adjusted gross revenue by the selected coverage level and payment rate. The coverage level will determine when indemnity payments begin. The payment rate will determine how much the producer will be paid for each dollar lost under the coverage level. A producer selects one amount of coverage that will cover all commodities.

Available Protection Amounts

Coverage	Payment	Minimum # of Commodities*	Maximum Annual Income**
Level	Rate		
65	75	1	$2,051,282
65	90	1	$1,709,401
75	75	1	$1,777,777
75	90	1	$1,481,481
80	75	3	$1,666,666
80	90	3	$1,388,888

*Must meet minimum income requirements. Commodity grouping is available for the 80-percent coverage level.
**The Maximum Annual Income represents the maximum approved farm revenue at each coverage level and payment rate to be eligible for AGR-Lite due to the $1,000,000 maximum liability allowed.

Loss Payments

Loss payments are triggered when the adjusted income for the insured year is less than the loss inception point. The loss inception point is calculated by multiplying the approved adjusted gross revenue times the selected coverage level. Once a revenue loss is triggered, the producer is paid based on the payment rate selected, either 75 cents or 90 cents for each dollar lost.

Loss Payment Example

Assumptions:
- 80-percent coverage level and 75-percent payment rate chosen;
- Approved adjusted gross revenue of $100,000 and actual revenue from the farm for the year was $70,000;
- Liability: $100,000 x 0.80 x 0.75 = $60,000; then
- Loss Inception Point: $100,000 x 0.80 = $80,000;

Loss Scenario:

$80,000 - $70,000 revenue to count = $10,000 loss of revenue; then
$10,000 x 0.75 payment rate = $7,500 indemnity payment.

Note: If the producer's allowable expenses for the current crop year fall below 70 percent of the approved expenses, the approved AGR-Lite payments will be reduced.

This summary is for general illustration purposes only. Please contact a private crop insurance agent to learn more about AGR-Lite.

Contact Information

For a list of crop insurance agents, visit RMA's online agent locator at: http://www3.rma.usda.gov/apps/agents.

To view additional information, visit the following RMA online resources:
http://www.rma.usda.gov/policies/2008policy.html for policy and forms, http://www.rma.usda.gov/data/m13 for Draft Manual 13 Requirements, and http://www3.rma.usda.gov/apps/premcalc for premium calculation.

Download Copies from the Web
Visit our online publications/fact sheets page at: http://www.rma.usda.gov/pubs/rme/fctsht.html.

October 2006
Slightly Revised July 2008

Please Note: *Some policies for insuring vegetables are not available in DE, but can possibly be acquired via a written agreement through your crop insurance agent.*

If you are interested in a written agreement policy request, remember the important requirements below:

A properly completed request must contain at least the following supported documentation:

1. A completed actual production history (APH) form (for crops that require an actual production history) based on verifiable records of actual yields in the county area where insurance coverage is being requested for at least the most recent three consecutive crop years in the base period for the crop or a similar crop.

2. Acceptable production records for at least the most recent three consecutive crop years.

3. Evidence from the agricultural experts that the crop can be produced in the county if the request is to provide insurance for practices, types, or varieties that are not insurable, unless such evidence is not required by the Risk Management Agency.

4. Dates the producer and other growers in the area normally plant and harvest the crop.

5. Name, location of, and approximate distance the place the crop will be sold or used by the producer.

6. For an irrigated practice, the water source, method of irrigation, and amount of water needed for an irrigated practice for the crop.

*The Risk Management Agency may request additional data. For more information, contact your crop insurance agent.

United States Department of Agriculture
Risk Management Agency

Crop Insurance Options for Vegetable Growers

If you are a vegetable producer in the United States, there are many options available to you when you make the decision to buy crop insurance to protect your valuable investment.

Depending on the crop you grow and the State where it is grown, your crop can be insured under one or more of the following plans of insurance (all fall under the umbrella of the Multiple Peril Crop Insurance MPCI policy): Actual Production History, Dollar Plan of Insurance, and Fixed Dollar Plan of Insurance; and under the revenue policy of Adjusted Gross Revenue or Adjusted Gross Revenue Lite (AGR-Lite, in selected States). There is also private crop-hail insurance available for most vegetable crops in most States. Your crop insurance agent can provide you with information and assistance in selecting the insurance product that would best meet your risk management needs.

Actual Production History

Actual Production History, or APH, is the most common plan of insurance under the MPCI umbrella. MPCI provides comprehensive protection against weather-related causes of loss and certain other unavoidable perils that result in low yields, poor quality, late planting, replanting, and prevented planting. For most crops, covered perils include drought, excess moisture, cold and frost, wind, flood, and damage from insects and disease.

The APH coverage guarantee is based on your own actual production history and is available for over 40 crops in primary production areas throughout the United States at 50 to 75 percent of the average APH yield for the acreage. Coverage up to 85 percent is available in some States. Vegetable crops that can be insured under the APH plan of insurance include: cabbage (pilot in selected States and counties), dry beans, dry peas, fresh market tomatoes (except in Florida), green peas, onions (pilot in selected States and counties), potatoes, processing beans, processing sweet corn, and sweet potatoes (pilot in selected States and counties).

How is my yield guarantee determined?

The yield guarantee is based on your own historical APH average yield times the level of coverage, times the insured acreage, times the insured's share. The APH yield is determined from producer production records for 4 to 10 consecutive years. For producers who provide less than 4 years of actual yields, variable Transitional Yields (t-yields) are used to complete the 4-year database. However, the approved APH yield for producers who elect not to supply records is limited to 65 percent of the applicable t-yield for the first year the producer is insured.

What is a unit?

A unit is defined as that acreage of the insured crop in the county that is taken into consideration when determining the guarantee, premium, and the amount of any indemnity (loss payment) for that acreage. The basis for the unit structure is established on the date coverage begins for the crop year.

You may choose from up to four kinds of available unit structure: a whole-farm unit, enterprise units, basic units, and optional units. The whole-farm unit includes all insurable acreage of all insured crops in the county. The enterprise unit consists of all insurable acreage of the insured crop in the county. The basic unit includes all insurable acreage of the insured crop in the county in which the producer has a 100-percent share or which is owned by one entity and operated by another specific entity on a share basis. Basic units may be further divided into optional units. Optional units are determined by section, section equivalents, Farm Service Agency (FSA) Farm Serial Number, noncontiguous land (for certain perennial crops), and irrigated and non-irrigated practices. When the policy allows, optional units may be established provided the crop is planted in a manner that results in a clear and discernible break in the planting pattern at the boundaries of each optional unit, and the producer keeps separate identifiable records of planted acreage and harvested production for each optional unit.

What coverage level is right for me?

Producers can select a coverage level ranging from 50 to 75 percent, in some cases up to 85 percent, of their individual approved average yield. The producer also selects 55 to 100 percent of the price announced by the United States Department of Agriculture (USDA).

The decision process for making the right coverage choice is critical. There will be a great temptation for some to make their decision based solely on their costs. Yet, Catastrophic Risk Protection (CAT) coverage, which is almost free, will not provide adequate protection for most growers. While CAT coverage only has a $100 per-crop administrative fee, it only allows for a 50-percent coverage level at only 55 percent of the available price. Furthermore, if growers fail to prove their yields with historical data certifications, their coverage could be reduced by about 50 percent. To help determine which coverage level might be right for your operation, talk with your crop insurance agent. He or she can provide you with all of the information needed to make the best decision for your farming operation.

How is my indemnity payment calculated?

This example assumes an average yield of 260 hundredweight per acre of potatoes, 65-percent coverage level, no endorsements, and basic units. Let us assume your APH is 260 hundredweight of potatoes per acre. By choosing the 65-percent coverage level, your per-acre guarantee is 169 hundredweight, but due to an insurable cause of loss, you were only able to harvest 89 hundredweight of potatoes. With a $7.05 price election and a per-acre loss of 80 hundredweight, your gross indemnity per acre would be $564.

260	Cwt. per-acre average yield (APH)
x .65	Coverage level percentage
169	Cwt. per-acre guarantee
- 89	Cwt. per-acre production
80	Cwt. per-acre loss
x $7.05	Price election
$564	**Gross indemnity per acre** (before paid premium)

How much will it cost?

Item	Percent					
Coverage Level	50	55	60	65	70	75
Premium Subsidy	67	64	64	59	59	55
Your Premium Share	33	36	36	41	41	45

APH is subsidized by the Federal Government, meaning the Government will pay a percentage of the premium. The amount of the subsidy is determined by the coverage level selected by the producer. The subsidy table above shows the amount of subsidy given at each level of coverage. At the Catastrophic or CAT level, 100 percent of the premium is subsidized. However, there is a $100 administrative fee due per crop insured at the CAT level.

Premium rates and APH policies can change on a yearly basis, so to determine how much it will cost to obtain APH coverage on your operation, visit with a local crop insurance agent for a quote. Asking for a quote does not commit you to buying the coverage.

How do I make changes to my policy?

MPCI is a continuous policy and will remain in effect for each crop year following the acceptance of the original application. After the first insurance year, you may change or cancel your coverage by visiting your crop insurance agent.

Requests for policy changes, such as a change to the price election or coverage level, must be made by a producer on or before the sales closing date. Each State and/or crop may have a different sales closing date. Requests to increase the maximum eligible prevented planting acreage above the limitations contained in the crop policy must also be made by the sales closing date. Contract changes involving a successor-in-interest application and corrections of a producer's name, address, identification number, administrator, etc., may be made at any time.

Producers may cancel the policy, a crop, a county, or a specific crop in a specific county after the first insured crop year by providing written notice to the insurance provider on or before the cancellation date shown in the applicable crop provisions.

Dollar Plan of Insurance

What is the dollar plan of insurance?

The dollar plan of insurance offers the producer the opportunity to select one of several dollar amounts of insurance per acre prior to planting. Fresh market corn, fresh market tomatoes (Florida only), and peppers are insurable under the dollar plan of insurance. These crops are insurable only in certain States and, in some instances, only in certain counties within those States.

To be insurable, the producer must have grown the crop for commercial sale or participated in managing a farming operation where that crop was grown in at least 1 of the 3 previous years.

Against which causes of loss is my crop protected?

Your insured crop is protected under the dollar plan of insurance against losses that occur from excess rain, fire, freeze, hail, tornados, and the failure of the irrigation water supply, if it is caused by an insurable cause of loss during the insurance period. Fresh market sweet corn is also covered by losses that occur from excess wind, and fresh market tomatoes and peppers are covered by losses that occur from a tropical depression.

However, the policy does not cover any loss of production due to disease or insect infestation — unless effective control measures do not exist for such infestation — or failure to market the crop unless such failure is due to actual physical damage caused by an insured cause of loss that occurs during the insurance period. Also, revenue losses caused by low market prices or low consumer demand are not covered.

What amounts of coverage are available and how much will it cost?

Item	Percent					
Coverage Level	50	55	60	65	70	75
Premium Subsidy	67	64	64	59	59	55
Your Premium Share	33	36	36	41	41	45

Instead of guaranteeing production, the policy guarantees a dollar amount of coverage, depending on the level of coverage selected. Crop insurance premiums are subsidized as shown above. For example, if you select the 75-percent coverage level, the premium subsidy is 55 percent and your premium share is 45 percent of the base premium. Catastrophic, or CAT, coverage is equal to 55 percent of the dollar amount of coverage at the 50-percent coverage level. CAT is 100 percent subsidized with no premium cost to you except for an administrative fee of $100, regardless of the acreage.

The coverage level option you choose is based on the reference, maximum, dollar amount per acre that is found in the rate table. Your crop insurance agent has access to the rate table and is your best source of information to determine which coverage level will be best for your operation.

Premium rates and policies can change on a yearly basis; so to determine how much it will cost to obtain coverage on your operation, visit with a local crop insurance agent for a quote. Asking for a quote does not commit you to buying the coverage.

How is my indemnity payment calculated?

A loss occurs when the crop value falls below the guaranteed dollar amount due to damage from a covered cause of loss.

This loss example is based on sweet corn planted in Florida with a reference maximum dollar amount of $1,325 and a loss occurring in the final stage of production. At the 65-percent coverage level, the per-acre dollar amount of insurance is $861.25. This example assumes an average production of 100 containers per acre sold at an average price of $10 each. Subtracting the allowable cost of $3.45 leaves a net value of $6.55 per container.

Example:

$ 3.45	Allowable cost per 42-pound crate
$861.25	Dollar amount of coverage elected per acre
– $393.00	Sold production per acre is 100 containers at $6.55 each ($10–$3.45 allowable cost)
$206.25	**Indemnity per acre** (before paid premium)

How do I make changes to my policy?

The dollar plan of insurance is under the umbrella of the MPCI policy and is therefore a continuous policy that remains in effect for each crop year following the acceptance of the original application. After the first insurance year, you may change or cancel your coverage by visiting your crop insurance agent.

Requests for policy changes, such as a change to coverage level, must be made by a producer on or before the sales closing date in each State (each crop and State have different sales closing dates). Contract changes involving a successor-in-interest application and corrections of a producer's name, address, identification number, administrator, etc., may be made at any time.

Producers may cancel the policy, a crop, a county, or a specific crop in a specific county, after the first insured crop year by providing written notice to the insurance provider on or before the cancellation date shown in the applicable crop provisions.

Fixed Dollar Plan of Insurance

What is the Fixed Dollar Plan of Insurance?

The Fixed Dollar plan of insurance provides protection against declining revenues due to damage that causes a loss of yield and there is no price increase in the market. The pilot Chile Pepper program is based on the Fixed Dollar plan of insurance and is available in Cochise County, Arizona, and in Hidalgo and Luna Counties, New Mexico.

Four types of chilies are insurable: Long Green New Mexican, Long Red New Mexican, Cayenne, and Jalapeno. Only peppers that will be planted to fulfill a written contract with a processor can be insured. The contract must specify the quantity (in delivered weight or planted acres) of chilies the processor agrees to buy and the base price the processor will pay the grower. In addition, producers applying for insurance must have experience growing chile peppers. The fields must be irrigated and not have been planted with peppers, tomatoes, beets, cucurbits, eggplant, or spinach for at least 1 year.

Against which causes of loss is my crop protected?

Chile peppers are protected under the fixed dollar plan of insurance against losses that occur from natural perils including hail, frost, freeze, wind, drought, and excess moisture. It also protects against failure of the irrigation water supply if it is caused by an insured peril during the insurance period; fire, unless weeds and undergrowth are not controlled or unmulched pruning debris is not removed; insects and disease, but not damage due to insufficient or improper application of control measures; and, wildlife, if proper control measures are taken.

There are some losses that are not covered under this crop insurance policy, including:

1. Bypassed acreage because of: the breakdown of equipment; insured acreage was not harvested first; and/or the grower and the processor are one and the same.
2. The chile peppers were not harvested timely; unless such delay in harvesting is solely and directly due to an insured cause of loss; or
3. The grower fails to follow the requirements of the processor contract.

What amounts of coverage are available and how much will it cost?

The maximum dollar amount available for chile peppers is $1,380 per acre, and that price is used to calculate an indemnity claim. The amount of insurance is progressive by vegetative stages, as described below.

Stage	Amount of Insurance	Stage Description
1	50 percent	For seeded acreage, until thinning
2	75 percent	From thinning or transplanting to fruit set
3	100 percent	From fruit set until harvest or end of insurance

Producers can select their own revenue guarantee from among seven, fixed, dollar amounts of insurance, as determined by USDA. The levels of coverage offered are intended to enable chile pepper growers to recover a percentage of their out-of-pocket costs of producing the crop. Coverage levels range from 50 to 75 percent of the average yield. For example, an average yield of 200 pounds per acre would result in a guarantee of 130 pounds per acre at the 65-percent coverage level. Crop insurance premiums are subsidized by the Federal Government as indicated in the following table:

Item	Percent					
Coverage Level	50	55	60	65	70	75
Premium Subsidy	67	64	64	59	59	55
Your Premium Share	33	36	36	41	41	45

Premium rates and policies can change on a yearly basis; so to determine how much it will cost to obtain coverage on your operation, visit with a local crop insurance agent for a quote. Asking for a quote does not commit you to buying the coverage.

How is my indemnity payment calculated?

The amount of loss that can be claimed is the difference between the amount of insurance and the value of the production-to-count. An insured selects the 65-percent coverage level, or $897 ($1,380 x .65) per acre, and has a contract on 60 acres. All the chile peppers from 50 acres were harvested but 10 acres were not. The appraised production on the harvested production amounted to 100,000 pounds. To calculate the value of harvested chilies (Long Red), the allowable cost of picking and hauling is subtracted from the base contract price:

	$ 897	Selected coverage
x	60	Acres of production
	$53,820	Guarantee revenue
x	1.00	Stage 3 coverage percent
	$53,820	

	$.66	Base price
–	$.25	Allowable cost of picking (found in the special provisions)
	$.41	Value of harvested chilies
x	100,000	Number of pounds harvested
	$41,000	Value of harvested chilies

	10,000	Pounds of unharvested chilies
x	$.66	Base contract price
	$6,600	Value of unharvested chilies

	$53,820	Guarantee revenue
–	$47,600	Value of harvested chilies +value of unharvested chilies
	$6,220	Indemnity paid to insured

How do I make changes to my policy?

The fixed dollar plan of insurance is under the umbrella of the MPCI policy and is therefore a continuous policy that remains in effect for each crop year following the acceptance of the original application. After the first insurance year, you may change or cancel your coverage by visiting your crop insurance agent.

Requests for policy changes, such as a change to coverage level, must be made by a producer on or before the sales closing date of January 31. Contract changes involving a successor-in-interest application and corrections of a producer's name, address, identi-fication number, administrator, etc., may be made at any time.

Producers may cancel the policy, a crop, a county, or a specific crop in a specific county, after the first insured crop year by providing written notice to the insurance provider on or before the cancellation date shown in the applicable crop provisions.

Adjusted Gross Revenue Lite (AGR-Lite)

What is AGR-Lite?

Adjusted Gross Revenue (AGR) Lite is whole farm revenue insurance that covers almost all of the commodities produced on a farm. It is an individualized revenue insurance based on an individual producer's yields, crop quality, and marketing history that equals gross income.

AGR-Lite insurance provides protection against revenue loss due to any unavoidable natural occurrences including, but not limited to, adverse weather, fire, insects, disease, wildlife, earthquakes, volcanic eruption, or irrigation-water supply failure, if applicable, that causes production losses that occur during the current or the previous insurance year or market fluctuations that cause a loss in revenue during the current insurance year. It offers coverage on almost all crop commodities (including greenhouse production), even those not covered by MPCI. This is unlike traditional MPCI or production-based revenue products that only offer limited coverage on certain crop commodities, and even other limited livestock coverage that does not cover animal products. AGR-Lite covers animals (including aquaculture) and animal products. AGR-Lite does not cover timber, forest, forest products, animals for sport, animals for show, or pets.

AGR and AGR-Lite are the ONLY Federal Crop Insurance Corporation subsidized plans of insurance that can offer coverage on crop commodities AND animals and animal products produced in a farming operation. In its essence, AGR-Lite is AGR coverage on a smaller scale. AGR-Lite has some basic differences from AGR. For instance, where AGR has a $6.5 million coverage limit, AGR-Lite has a $1 million coverage limit (up to $2 million in annual farm gross income). In addition, it is easier to apply for AGR-Lite and there is less upfront paperwork involved.

How does AGR-Lite work?

AGR-Lite uses a producer's 5-year historical farm-average revenue reported on the Internal Revenue Service (IRS) 1040 Schedule F tax form, other IRS farm tax forms, and an annual Farm Report as a basis to provide a level of guaranteed revenue for the insurance period.

The producer will select a level of coverage and a payment-rate percentage that will apply to all commodities covered by the policy. The coverage level determines when the policy will begin to pay an indemnity. The payment rate determines how much a producer is paid for each dollar lost under the coverage level. Coverage levels and payment rates may vary with the number of commodities producing revenue.

Keep in mind that you only have to "certify" your tax record information to obtain AGR-Lite coverage. You do not need to provide copies of your tax forms unless you file a claim for indemnity.

Why do I need AGR-Lite?

Other more conventional crop insurance products available today may use your personal production history, but they use national average prices set by the Federal Government or a commodity exchange board, like the Chicago Board of Trade.

There are many advantages to AGR-Lite. It can be used as an umbrella over selected individual crop coverage. AGR-Lite works well for vegetable producers raising unique, high-valued varieties. And with the $1 million payout limit, it works well for small and medium-sized farms. With AGR-Lite, recordkeeping is easier and premium costs are usually lower than with conventional crop insurance.

AGR-Lite allows you to insure both plant and animal production, including aquaculture; it protects against falling prices; it covers unaltered animal products; it insures crops that are not otherwise insurable; it protects direct marketed production, and most importantly, it does all of this while using your yield and your production and price history.

What is covered by AGR-Lite?

Under AGR-Lite, insurance coverage is provided against revenue loss due to any unavoidable natural disasters such as adverse weather, fire, insects, disease, wildlife, earthquakes, or volcanic eruption. It covers perils occurring during the current or the previous insurance year that cause a reduction in your gross revenue. It also guards against a revenue loss during the current insurance year due to market fluctuation.

Almost all farm commodities are eligible for AGR-Lite coverage. Most crops may be insured. Production of animals, from land walkers to aquaculture, is also covered, as are animal products such as milk, honey, or wool. Greenhouse production and even organic production is covered under AGR-Lite without an additional premium charge.

Does AGR-Lite fit my operation?

AGR-Lite was designed to fit smaller operations. The maximum farm gross income for those insured under AGR-Lite may not exceed $2,051,282.

Because AGR-Lite offers protection on agricultural crops, animals, and animal products, it works well for diversified operations to have this type of whole-farm coverage. It allows these producers to insure the revenue of their farm under one policy instead of insuring livestock and each crop under different policies. That means only one policy for which to provide records, one set of dates for application and reporting requirements, one notice of loss to file, and one claim to be worked in the event of an insurable, revenue loss.

What coverage level is right for me?

Under AGR-Lite you will elect one coverage level and one payment-rate percentage. The coverage level and payment rate will apply to the gross income from all the commodities insured under AGR-Lite. The coverage-level percentages available for AGR-Lite include 65 percent, 75 percent, and 80 percent. Available payment-rate percentages include 65 percent, 75 percent, and 90 percent. Payment rates are co-insurance. The 75-percent payment rate implies 25-percent co-insurance.

The available coverage-level and payment-rate combinations vary, depending on the number of commodities producing income on your farm. To qualify for the higher coverage levels, at least three commodities must produce "significant revenue" in your farming operation. "Significant revenue" may vary by farm, and it is important to contact your local crop insurance agent to help determine if you qualify for the higher levels of coverage.

The coverage level and payment-percentage election determines your deductible. To determine what coverage level is right for you and your operation, ask yourself, "How much can I afford to lose?" A producer with no crop insurance has a 100-percent deductible. This means that if a loss occurs, the producer is responsible for 100 percent of the cost of the loss. If a producer is insured at the 65-percent coverage level, the deductible is 35 percent and the producer is responsible for 35 percent of the loss.

How much will it cost me?

AGR-Lite coverage is subsidized by the Federal Government. The Government will pay a percentage of the premium. The amount of the subsidy is determined by the coverage level elected by the producer. The subsidy chart below shows you the amount of subsidy provided by the Government.

Item	Percent		
Coverage Level	65	75	80
Premium Subsidy	59	55	48
Your Premium Share	41	45	52

Premium rates and policies for AGR-Lite can change on a yearly basis, so to determine how much it will cost to obtain AGR-Lite coverage on your operation, visit with a local crop insurance agent for a quote. Asking for a quote does not commit you to buying the coverage.

Crop-Hail Insurance

Crop-hail insurance is insurance offered by private companies. It is not a Federal or State Government product and the premiums are not subsidized. However, crop-hail insurance is regulated by the insurance departments in each State and companies offering this type of insurance must comply with all State insurance laws.

Crop-hail is a named peril product. The crop is insured for direct losses resulting from hail and, in most cases, other named perils such as fire, lightening, transit, and wind. This is a different approach to insurance than the multiple peril coverage described earlier. Insurance coverage is on a value-per-acre basis. You cannot insure the crop for more than its value, but you may be able to increase the coverage during the year if the value of the crop is greater than anticipated when the insurance was first purchased.

When a crop is damaged by hail, the insured is required to notify the company within 10 days of occurrence. Indemnities are determined by the percent the crop has been damaged.

In many cases, crop-hail insurance is available from the same crop insurance agent used to purchase one of the multiple peril crop insurance products listed below.

Crop	Insurance Plan			
	APH	Dollar	Fixed Dollar	AGR-Lite
Cabbage — Pilot	X			X
Dry Beans	X			X
Dry Peas	X			X
Fresh Market Tomatoes (except in FL)	X			X
Green Peas	X			X
Onions — Pilot	X			X
Potatoes	X			X
Processing Beans	X			X
Processing Sweet Corn	X			X
Sweet Potatoes — Pilot	X			X
Fresh Market Sweet Corn		X		X
Fresh Market Tomatoes		X (FL)		X
Peppers		X		X
Chilies			X	X

For more information

Contact a private crop insurance agent
or go to the agent locator at:

http://www3.rma.usda.gov/apps/agents/ .

USDA

United States Department of Agriculture
Risk Management Agency

Risk Management Checklist

Print out this checklist. Answer yes or no to the following questions. Review your answers with your family and/or your business team and employees.

You may identify some risk exposure. On the other hand, you may find that you are protected against risk enough so that you have the resources to explore some new venture.

If you do not know all the dates in the "Deadlines" section, you should contact your crop insurance agent for help. If you need assistance locating an agent, go to the agent locator at http://www3.rma.usda.gov/apps/agents/.

Farm-Risk-Plans.USDA.gov
Helping farmers & ranchers find success

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Production

_______ 1. Have you recently evaluated your risk in the event of the loss of your crops?

_______ 2. Have you recently evaluated your risk in the event of the loss of your animals?

_______ 3. Have you investigated other alternative production methods and their consequences?

_______ 4. Do you have the necessary knowledge to consider an additional or alternative enterprise?

_______ 5. Is your crop insurance protection adequate to cover a severe crop loss?

_______ 6. Have you reviewed all of your crop insurance options with your agent?

_______ 7. Have you conducted a Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis for your operation?

_______ 8. Are you in an area capable of supporting irrigation?

Marketing

_______ 1. Do you have a current, written marketing plan?

_______ 2. Have you coordinated your marketing plan with your goals and objectives and your financial and production plans?

3. Managing marketing risks:

    _______ a) Are you comfortable with your knowledge of marketing opportunities?

    _______ b) Have you reviewed your marketing options within the past 6 months?

    _______ c) Do you understand how crop insurance revenue guarantees can enhance marketing opportunities?

Financial

_______ 1. Do you have a current business plan?

_______ 2. Have you planned for a best-case scenario and developed a plan for how additional income will be used?

_______ 3. Have you planned for a worst-case scenario and considered an alternative plan?

_______ 4. Do you know your cost of production?

_______ 5. Do you know your break-even costs?

_______ 6. Do you have the knowledge to create a balance sheet, cash flow, and income statements?

_______ 7. Do you have the knowledge to interpret important financial ratios?

_______ 8. What is your debt-to-asset ratio?

_______ 9. Is the growth of your net worth exceeding inflation?

_______ 10. Have you reviewed your ratio trends with your lender?

11. Is your crop insurance protection adequate to:

    _______ a) Repay current operating loans?

    _______ b) Allow you to take advantage of marketing opportunities?

_______ 12. Have you reviewed your tax liability within the past 3 months to determine your tax strategies?

_______ 13. Have you investigated all of your potential financing options?

_______ 14. Have you investigated all available government programs?

_______ 15. Have you considered the trade-offs between maintaining your current investments (certificates of deposit/savings/etc.) and/or reinvesting in expanding your own operation?

_______ 16. Do you consult a financial management consultant, lender, accountant, insurance provider, or other professional when making major financial decisions?

_______ 17. Are you comfortable with your level of debt?

Legal

This list does not cover every legal risk exposure faced by farmers and ranchers, and is not meant as legal advice. You should consult an attorney to review your legal risk exposure.

______ 1. Is your will up to date?

______ 2. Do you have a living will?

______ 3. Do you have a farm transfer plan or exit strategy that has been reviewed within the past 3 years?

______ 4. Have you recently reviewed your farm owner's insurance policy?

5. Have you recently evaluated your risk exposure to:

   ______ a) Liability covering the public entering your property?

   ______ b) Liability of direct marketing?

   ______ c) Your State department of agriculture's direct marketing regulations?

   ______ d) Livestock breaking through fences?

   ______ e) Environmental and pesticide issues?

   ______ f) Land use issues with neighbors?

______ 6. Do you understand the provisions of all of your contracts, leases, and loans?

______ 7. Have you recently evaluated all the different business entity options for your operation?

______ 8. Do you have a working relationship with your attorney and accountant and have you reviewed your goals and objectives with each?

______ 9. Are you in compliance with such regulations as worker protection, pesticide use records, vehicle registrations, and necessary safety inspections?

Human

1. Is your personal insurance coverage current:

   ______ a) Do you have adequate medical and disability insurance?

   ______ b) Do you have adequate life insurance to cover your wishes and farm transfer at current values?

______ 2. Have you calculated your risk exposure to employee accidents or dishonesty?

______ 3. Have you provided all employees with comprehensive safety training?

______ 4. Do you have an employee handbook?

______ 5. Are your goals Specific, Measurable, Attainable, Reasonable, and Timed (SMART)?

______ 6. Have you conveyed the goals and objectives of the business to all family members, business team, and employees?

______ 7. Are your goals written?

______ 8. Is everyone in your family (or on your team) employed to the full extent of his or her education, training, and experience?

General

______ 1. Do you have a confident relationship with your risk management advisors?

______ 2. Do you have the knowledge to evaluate new technologies?

______ 3. Are you planning for your children's educational needs and are these savings protected?

______ 4. Are your savings for retirement on course with your plans?

______ 5. Do family members know the location of all important documents?

______ 6. Do you have the knowledge and skills to assess all areas and levels of risk?

______ 7. Are you constantly looking for ways to increase your profitability?

Crop, Revenue, and Livestock Insurance Deadlines

If you do not know all the dates in this section, you should contact your crop insurance agent for help.

______ 1. Do you know all critical dates and sign-up deadlines?

2. **Sales closing date** — *last date to apply for coverage is:*

____

3. **Cancellation date** — *give notice if I do not want insurance next year:*

____

4. **Production reporting date** — *actual production history must be reported by:*

____

5. **Final planting date** — *if unable to plant, I must contact my agent by:*

____

6. **Acreage reporting date** — *I must report my acreage planted to my agent by:*

____

7. **Payment due date** — *interest charges will be incurred after:*

____

8. **Final date to file notice of crop damage** — *any perceived damage must be reported no later than:*

____

9. **End of insurance period** — *latest date of coverage for current year's crop:*

____

10. **Debt termination date** — *insurance coverage for next year will be canceled if payment is not made by:*

____

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